

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail Contract 77 (MC2014-18)
Negotiated Service Agreement

Docket No. CP2014-31

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE NOTICE OF AMENDMENT
TO PRIORITY MAIL CONTRACT 77

(April 16, 2015)

The Public Representative hereby provides comments pursuant to Order No. 2441.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of a change in the terms of Priority Mail Contract 77.² Attachment A to the Notice consists of a redacted version of the Amendment to Priority Mail Contract 77. Attachment B to the Notice consists of a redacted version of the supporting financial model and a certified statement as required by 39 C.F.R. § 3015.5.

In Order No. 2441, the Commission approved the Postal Service's request to add a new product identified as Priority Mail Contract 77 to the Competitive product list.³ The Amendment revises the customer's Priority Mail contract rates, which appear in Sections, I.E., Table 2 and Section I.F.

The Postal Service asserts that the Amendment will not materially affect the cost coverage of Contract 77. Notice at 1. The Postal Service also states that the

¹ Order No. 2441, Notice and Order Concerning Amendment to a Priority Mail Negotiated Service Agreement, April 2, 2015.

² Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Priority Mail Contract 77, April 10, 2015 (Notice).

³ See Order No. 2010, Order Adding Priority Mail Contract 77 to the Competitive Product List, Docket Nos. MC2014-18/CP2014-31, March 7, 2014.

Amendment will take effect one business day following the day on which Commission completes its regulatory review of this filing. Contract 77, as amended, is scheduled to expire approximately 2 years from the effective date of the amendment.

COMMENTS

The Public Representative has reviewed Priority Mail Contract 77 and the Postal Service's Amendment thereto. Based upon that review, the Public Representative recommends Commission approval of the Amendment to Contract 77.

The Postal Service's assessment that the Amendment will not materially affect the cost coverage of Contract 77 appears to be reasonable. As filed, the Amendment makes certain adjustments to the volumetric tier structure used to calculate prices during the final two years of the contract. The Public Representative believes that these changes are not likely to have a material effect on cost coverage of Contract 77. This belief is supported by the fact that Contract 77 covered costs in FY 2014.

The Public Representative notes that future price adjustments are linked to the most recent average increase, in prices of general applicability for Priority Mail Commercial Plus. However, if the Postal Service does not seek a price adjustment, or proposes a decrease in generally applicable prices for Commercial Plus, there will be no change to the Contract 77 prices. As a result, the cost coverage for Contract 77 could decline—assuming contract costs rise in the final two years of the contract.

This concern is mitigated somewhat by the fact that the Postal Service must file revenue and cost data for Contract 77 in future Annual Compliance Reports. This data will permit the Commission to annually review the financial results for Contract 77 in future Annual Compliance Determination (ACD) reports for compliance with 39 U.S.C. § 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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